

UNITED STATES DISTRICT COURT

Eastern District of Virginia

AFO RESEARCH, INC., a California corporation

SUMMONS IN A CIVIL CASE

Plaintiff

v.

Case No. 1:09cv1388

The Honorable David Kappos, Under Secretary of
Commerce for Intellectual Property and Director of
the United States Patent and Trademark Office and
Robert L. Stoll, Commissioner for Patents

Defendants

TO: (Name and Address of Defendant)

Hon. David Kappos
Office of the General Counsel
United States Patent and Trademark Office
Madison Bldg. East, Room 10B20
600 Dulany Street, Alexandria, VA 22314

YOU ARE HEREBY SUMMONED and required to serve on PLAINTIFF'S ATTORNEY (name and address)

Robert A. Rowan, Va. Bar No. 29645
Michael L. Keenan, Va. Bar No. 14260
Michael E. Crawford, Va. Bar No. 39566
NIXON & VANDERHYE P.C.
901 N. Glebe Rd.
Arlington, VA 22203
Tel: 703-816-4000
Fax: 703-816-4100

OFFICE OF THE
GENERAL COUNSEL
U.S. PATENT
AND
TRADEMARK OFFICE
2009 DEC 23 PM 3:01

an answer to the complaint which is served on you with this summons, within 60 days after service of this summons on you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. Any answer that you serve on the parties to this action must be filed with the Clerk of this Court within a reasonable period of time after service.

Fernando Galindo, Clerk

CLERK

DATE

12/18/2009

Kathryn M. Stasko
(By) DEPUTY CLERK

RETURN OF SERVICE		
Service of the Summons and complaint was made by me ⁽¹⁾	DATE	
NAME OF SERVER (<i>PRINT</i>)	TITLE	
<i>Check one box below to indicate appropriate method of service</i>		
<input type="checkbox"/> Served personally upon the defendant. Place where served: _____ _____		
<input type="checkbox"/> Left copies thereof at the defendant's dwelling house or usual place of abode with a person of suitable age and discretion then residing therein. Name of person with whom the summons and complaint were left: _____ _____		
<input type="checkbox"/> Returned unexecuted: _____ _____ _____		
<input type="checkbox"/> Other (specify): _____ _____ _____		
STATEMENT OF SERVICE FEES		
TRAVEL	SERVICES	TOTAL
DECLARATION OF SERVER		
<p>I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and Statement of Service Fees is true and correct.</p> <p>Executed on _____ <div style="display: flex; justify-content: space-around; width: 100%;"> Date Signature of Server </div> <div style="text-align: center; margin-top: 20px;"> _____ Address of Server </div> </p>		

(1) As to who may serve a summons see Rule 4 of the Federal Rules of Civil Procedure.

FILED

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

AFO RESEARCH, INC., a California
corporation,

Plaintiff,

v.

The Honorable David Kappos, Under
Secretary of Commerce for Intellectual
Property and Director of the United States
Patent and Trademark Office and Robert L.
Stoll, Commissioner for Patents

Defendants

2009 DEC 18 P 3:45

CLERK US DISTRICT COURT
ALEXANDRIA, VIRGINIA

Case No.: 1:09cv1388

Assigned to: AJT/TRJ

**Complaint for Injunctive, Declaratory and Other Equitable and Legal
Relief under the Administrative Procedure Act**

Plaintiff, AFO Research, Inc. ("AFO"), for its Complaint, alleges the following:

I. NATURE OF THE CASE

1. This is a civil action by the assignees of United States Patent Application SN/054,328 (the '328 patent application") seeking judicial review of final agency action and injunctive and declaratory relief based on the Administrative Procedure Act ("APA"), 5 U.S.C. §§ 701-706, 28 U.S.C. §1361 and 28 U.S.C. §2201.
2. The final agency action at issue is set out in the April 1, 2009 and October 28, 2009

Decisions of the United States Patent and Trademark Office ("PTO") attached hereto as Exhibits A and B.

II. JURISDICTION AND VENUE

3. This is an action arising under the laws of the United States for judicial review under Section 704 of the APA of final agency action for which there is no other adequate remedy in court, and to compel the Director of the PTO to reinstate the '328 patent application under that statute and 28 U.S.C. § 1361, and for a Declaratory Judgment under 28 U.S.C. § 2201. This Court has jurisdiction over the subject matter of this action pursuant to 5 U.S.C. 701 et. seq., and 28 U.S.C. §§ 1331, 1338(a), 1361 and 1367.

4. Venue is proper under 28 U.S.C. §§ 1391 (b) since a substantial part of the events or omissions giving rise to the claims asserted occurred in, or a substantial part of the property that is the subject of the action is situated in this district, and the Defendant may be found in this district.

5. The Defendants actions will, if not reversed or enjoined, inflict substantial and irreparable damage to Plaintiff's business, revenues and profits arising from activities within this district.

III. THE PARTIES

6. Plaintiff AFO Research, Inc. ("AFO") is a corporation organized and existing under the laws of the State of California and having an address at 878 Greenleaf Circle, Vero Beach, Florida, 32960. AFO does business in this judicial district and Commonwealth.

7. Plaintiff AFO is the successor in interest to Nano Teknologies, LLC ("Nano"), a Florida limited liability company, with respect to the patent application at issue by virtue of an

Assignment for Application for United States Patent dated June 6, 2006, recorded at the PTO on the same date, at reel and frame 018221/0169.

8. At the time of the above assignment, Nano was the owner and assignee of the patent application at issue by virtue of an assignment dated June 23, 2003 from the inventor, Alfred A. Margaryan ("Margaryan"), recorded at the PTO on July 3, 2003, at reel and frame 014237/0428.

9. Defendant David Kappos is the Under Secretary of Commerce for Intellectual Property and Director ("Director") of the PTO, acting in his official capacity. The Director is the head of the agency, charged by statute with providing management and supervision for the PTO and for the issuance of patents.

10. Defendant Robert L. Stoll is the PTO Commissioner of Patents.

IV. FACTUAL BACKGROUND

11. Nano was formed for the purpose of developing and licensing innovations and inventions in nano material science.

12. Nano's Limited Liability Company Operating Agreement provides that its business and affairs (as opposed its day-to-day operations) shall be managed by a Board of Managers which shall have the same power and authority and responsibility as the board of directors of a corporation. Nano's initial Board of Managers consisted of two members, Dr. Lonnie Lindsey ("Lindsey"), as President, and Jack Illare ("Illare"), as Chairman of the Board.

13. Nano's Operating Agreement further provides that the Board of Managers must act upon all matters by a majority vote (unanimous in the case of two managers) and that no action

may be taken unless all members of the board are first given notice of and a reasonable opportunity to comment upon any proposed action.

14. Nano's operating agreement further provides that "all contracts and obligations of the business arising in the ordinary course shall require the Managing Directors' approval."

15. In addition to being the Chairman of the Board of Nano, Illare was also its principal investor, having invested \$1,000,000 in three deposits dated February 21, March 29 and May 31, 2001.

16. On June 21, 2001, U.S. patent application 09/852,238, ("the '238 application") was filed by Dennis Beech, Esq. ("Beech") on behalf of Margaryan, as inventor of the patent application's subject matter, and Nano, as Margaryan's assignee. Subsequently, the '238 application was abandoned in favor of the patent application at issue, i.e., Application No. 10/054,328 ("the '328 application"), which was filed on January 21, 2002 as a Continuation-in-Part of the '238 application.

17. Margaryan, the inventor of the subject matter of both the '238 and '328 patents, was an employee of Nano at the time both patents were filed by virtue of an Employment Agreement dated October 2, 2000 and an Addendum of May 11, 2001. Margaryan also signed an Employee Invention Agreement and an Addendum to that Agreement on the same dates. However, he was subsequently terminated from his employment with Nano by Nano's then-President, Dr. Lonnie Lindsey ("Lindsey") on April 28, 2002. Beech was never informed of Margaryan's termination.

18. Thereafter, Lindsey was Nano's sole contact with Beech, the attorney of record for the prosecution of the '328 patent.

19. As Nano's President, Lindsey was charged by Nano and had fiduciary obligations to Nano and to its investors to ensure, to the extent possible, the successful prosecution of the '328 patent, which was Nano's principal asset. However, under Nano's Operating Agreement, Lindsey did not have the unilateral authority to abandon the '328 patent application, a matter which required the unanimous vote of both Board members, Mssrs. Lindsey and Illare, after notice and a reasonable opportunity to address such action.

20. On December 19, 2002, the PTO mailed a Non-Final Rejection of the '328 patent application to Beech, who forwarded it to Lindsey and Margaryan. Margaryan had, however, been terminated by Dr. Lindsey eight months earlier and was no longer involved in the prosecution of the '328 application. Lindsey had sole responsibility for responding to any materials forwarded from, or inquiries by Beech, subject to his obligations to provide notice to, and obtain the consent of, Illare with respect to matters affecting Nano's business and affairs, as opposed to its day-to-day operations.

21. On March 19, 2003, Nano, through Beech, and at the direction of Lindsey, filed a response to the December 19, 2002 Non-Final Rejection.

22. On May 30, 2003, the PTO mailed a second Non-Final Rejection of the '328 application to Beech who forwarded it on to Lindsey and Margaryan. However, as noted, Margaryan had already been terminated without Beech's knowledge, and sometime prior to June 22, 2003 was asked to execute a formal assignment of any remaining interest he may have had in the '328 application to Nano, which he did on June 22, 2003, thereby divesting himself of any interest whatsoever in the '328 application.

23. On August 15, 2003, Illare became Nano's Managing Director in addition to his prior duties as Chairman, as set out in the third revision to the Nano's Limited Liability Company Operating Agreement.

24. On August 28, 2003, Nano filed a response to the pending Non-Final Rejection of the '328 case through Beech and at the direction of Lindsey.

25. Thereafter, on November 18, 2003 the PTO mailed a Final Rejection of the '328 application to Beech who, on December 16, 2003, forwarded that Final Rejection only to Margaryan. As noted, Margaryan had been terminated eighteen months earlier and had relinquished all rights to the '328 patent six months earlier, but Lindsey had never informed Beech of Margaryan's termination.

26. On January 29, 2004, Beech forwarded a reminder regarding the Final Office Action to Margaryan, with a copy to Lindsey at his Fountain Valley California address, but not to Illare or to Nano at its new address in Jupiter, Florida, as a result of Lindsey's failure to advise Beech of the revision to Nano's Operating Agreement appointing Illare as Managing Director and changing the Company's official address to Jupiter, Fla. Consequently, Beech's January 29, 2004, like his December 16, 2003 letter, was never received by Illare or Nano.

27. A further reminder was sent to Margaryan and Lindsey at their California addresses by Beech on March 30, 2004.

28. This time Beech also attempted to send a copy of his letter to Nano at the Florida address indicated on the June 23, 2003 assignment prepared and obtained by Lindsey.

However, that assignment contained a misspelled version of Nano's name, a misspelled street name and, very importantly, included no suite number. Even more importantly, Beech's letter was addressed to a Randy Lukasik, a former employee of Nano's, who had been discharged

nearly eight months earlier. That letter, like the previous letters, was never forwarded to Nano's correct address or received by Illare. These errors were not the fault of either Beech or Illare.

29. On May 23, 2004, after the final due date of May 18, 2004 for responding to the Final Rejection of November 18, 2003, Lindsey sent Illare an email requesting permission to sell the company's patents, which permission was not granted by Illare. In that email, Lindsey also stated that "I will continue on with getting the patents issued then marketing them as I discussed last March with you." No mention was made of Beech's letters or of any pending or past due requirements in the prosecution of any patent.

30. On July 1, 2004, the PTO mailed to Beech a Notice of Abandonment of the '328 application for failure to respond to the Final Rejection of November 18, 2003. On July 8, 2004, Beech forwarded the Notice of Abandonment to the long-terminated Margaryan and to Lindsey's address in California. No copy was provided to Nano or Illare and none of these communications were brought to Illare's attention.

31. In August, 2004, Lindsey met with Illare and admitted that he had misapplied \$400,000 of Illare's funding of Nano to another investment in which Lindsey had a financial interest. Lindsey did not mention any of the communications from the PTO or Beech regarding the '328 application.

32. Because Lindsey had a financial stake, as part owner of Nano, in the '328 patent application, and because Lindsey had successfully prosecuted another of Nano's patent

applications to issue, resulting in U.S. Patent No. 6, 495,481, it did not follow that Lindsey would act contrary to his own financial interest in neglecting to respond to Beech or the PTO with respect to the '328 patent, despite his unrelated diversion of Illare's funds. In any event,

Illare had no knowledge that any actions were required, let alone delinquent, with respect to the '328 application. Nor was Illare aware of Beech's representation of Nano or of Beech's contact information.

33. After a period of time, Illare located Margaryan, with whom he previously had no contact. After a further period of time, Illare was able to convince Margaryan that he, not Lindsey, was now in charge of Nano. Illare was eventually able to establish a relationship with Margaryan and enlist his help with respect to locating Nano's records and assets. The focus at that point was with respect to the funds diverted by Lindsey.

34. Later, in 2005, Illare learned that Lindsey had died in the Philippines. Upon learning of Lindsey's death, Illare attempted to broaden his search of Nano's records, which had previously focused primarily on the diverted funds, to include other assets of the company, but found that various records of Nano had been lost with the disappearance and death of Lindsey.

35. On December 20, 2005, Illare, having learned of Beech's representation of Nano at the PTO, contacted Beech, but was initially unable to convince Beech to turn over any of Nano's records because Beech had had no prior communications from Illare, no power of attorney from Illare, and was unaware of Illare's funding of or position with Nano. No records were produced to Illare by Beech at that time. It was not until Beech received a letter from and had a conversation with Illare's attorney, Eric Granitur, that Beech finally agreed to produce the relevant records to Illare. These actions were taken by Illare after many attempts over a several month span had failed to get Beech to produce Nano's records.

36. Illare thereafter retained Peter Ganjian, a registered patent agent, to review the records eventually provided by Beech, as well as the other records that Illare had been able to locate with respect to the '328 application.

37. After reviewing Nano's records, which were received by Illare and Ganjian on a piecemeal basis, Ganjian filed, on June 6, 2006, a Petition to Revive the abandoned '328 patent application on behalf of Plaintiff as Nano's assignee, asserting that the abandonment was "unintentional" under 37 C.F.R. §1.137(b).

38. This Petition was "dismissed" by the PTO on April 25, 2007 for the stated reason that Ganjian had no "first hand or direct knowledge of the facts and circumstances" of Lindsey's state of mind when he failed to respond to the Final Office Action with respect to the '328 patent application. Thereafter, on July 23, 2007, Plaintiff filed a Renewed Petition to Revive under 37 C.F.R. §1.137(B) with a declaration from Illare.

39. This Renewed Petition was again "dismissed" by the PTO on June 6, 2008 because "Illare had no knowledge of patent activities in regard to the incident application at the time of delay since Dr. Lindsey was allegedly hiding the fact that he was not responding" and that "Beech had no direct knowledge of why Dr. Lindsay apparently decided to let the application go abandoned." This rationale is clearly erroneous as a matter of law and undisputed fact because: (a) Nano, not Lindsey, was the owner of the application; (b) only Nano could abandon the application, its principle asset, and it could only do so by action of its Board of Managers, after notice to Illare, which never occurred; (c) the need for a response to the Final Rejection was never brought to the attention of the Board/Illare, and therefore no intentional abandonment by Nano was legally possible; and (d) the PTO's requirement that Nano submit a declaration, "with direct knowledge" of Lindsey's subjective state of mind was not only

irrelevant, but impossible, since Lindsey was dead.

40. A further Renewed Petition was filed by Plaintiff on October 22, 2008, this time under the "unavoidable" standard of 37 C.F.R. §1.137(a). This change was done at the advice of

PTO Petitions Examiner Carl Friedman in his June 6, 2008 decision. Friedman's advice to Ganjian, a registered patent agent, but not a lawyer, was misleading, inappropriate and legally erroneous since proof of unavoidable abandonment is significantly more difficult than proof of unintentional abandonment and Section 1.137(b), which provides the "unintentional" basis for relief, no longer included a shorter time deadline than Section 1.137(a). Moreover, Plaintiff had already established that the abandonment was clearly unintentional with respect to the only entity that mattered, Nano.

41. This Petition, which the Examiner erroneously treated as having been filed solely under 37 C.F.R. §1.137(a) despite Ganjian's prudent refusal to completely abandon his original 1.137(b) basis, was again dismissed by the PTO, on January 6, 2009, solely because the more difficult "unavoidable" standard had purportedly not been established.

42. Thereafter, on February 17, 2009 Plaintiff filed yet another Renewed Petition under 37 C.F.R. 1.137(a), while again reserving its 1.137(b) basis.

43. This Petition was "denied" (a final ruling) on April 1, 2009, solely on the basis of Plaintiff's alleged failure to meet the "unavoidable" standard of 37 C.F.R. 1.137(a), with no mention of 37 C.F.R. 1.137 (b). The PTO stated that "the showing of record is inadequate to establish unavoidable delay within the meaning of 37 C.F.R. §1.137(a). The reasoning of the PTO through its Director, Office of Petitions, Charles A. Pearson, was explained as follows:

The record shows that there were three parties involved in the prosecution of the instant application at the time of abandonment. Dennis Beach [sic] (Beach) was the patent attorney, Jack Illare (Illare) was the Executive of the assignee, Nano Teknologies, LLC (Nano), and Dr. Lindsey, (Lindsey), an employee of Nano, who was apparently a go-between or liaison between Beach and Illare. Beach was getting instructions from Lindsey though Illare's employment contract specifically stated he was the responsible party for handling all patent matters. Petitioner states time and again that the application went abandoned due to Lindsey's misconduct. Petitioner states that Lindsey assured Illare that the patents were in

order when in fact he was not responding to Beech's request for instructions on how to respond to the final Office action. Beech made numerous requests to Lindsey on how to respond to the final Office action. With no instructions forthcoming from Lindsey, Beech elected to take no further action in regard to the final Office action and thus the application became abandoned.

Where the applicant permits a third party to control the prosecution of an application, the third party's decision whether or not to file a reply to avoid abandonment is binding on the applicant. See *Winkler*, 221 F. at 552, 138 USPQ at 667. Where an applicant enters an agreement with a third party for the third party to take control of the prosecution of an application, the applicant will be considered to have given the third party the right and authority to prosecute the application to avoid abandonment (or not prosecute), unless, by the express terms of the contract between applicant and the third party, the third party is conducting the prosecution of application for the applicant solely in a fiduciary capacity. See *Futures Technology Ltd. v. Quigg*, 684 F. Supp. 430, 431, 7 USPQ2d 1588, 1589 (E.D. Va. 1988). Otherwise, the applicant will be considered to have given the third party unbridled discretion to prosecute (or not prosecute) the application to avoid abandonment, and will be bound by the actions or inactions of such third party.

Petitioner argues that Lindsey was not a third party and that Illare's employment contract made it clear he was responsible for all patent matters. The record indicates that, irrespective of any employment agreement, Lindsey was left to make all patent decisions. Beech was totally dependent on Lindsey for instructions on how to proceed in prosecution of the instant application. Illare admits he depended on Lindsey in patent matters because he considered Lindsey very knowledgeable about patents and patent proceedings. The record establishes that Beech knew nothing of Illare's responsibilities in regard to patent matters and Illare did not even know who the patent attorney was for the instant application. Beech and Illare were totally insulated from each other. Illare admits in the renewed petition that he did not know any of the specifics in regard to the instant application to take appropriate action. The record fairly well establishes that Lindsey was in total control of the prosecution of the application, being the only one who was in a position to communicate instructions to Beech, the attorney of record. The record indicates Illare was not in a position to make any patent prosecution decisions in regard to the instant application. Illare depended on Lindsey's expertise, did not know exactly what patent application was subject to his control and apparently was content to not even know who the patent attorney was. The record indicates Illare effectively relinquished control of the prosecution of the instant application to Lindsey and thus made him the third party. As such, petitioner is bound by the actions (or inactions) of Lindsey.

Furthermore, the record does not show that petitioner was reasonable and prudent in relying upon Lindsey to prosecute the application. Apparently, considerable acrimony existed between Illare and Lindsey with regard to Lindsey's alleged

misappropriation of \$400,000. Lindsey, by these actions, had shown that he was not a reliable and trustworthy employee. In fact, the record shows that Illare, despite knowing of Lindsey's actions, failed to properly supervise him. Given these facts and the attendant distrust and acrimony created by this situation, that Illare would believe statements of Lindsey regarding the prosecution of the application without some form of evidence or communication with/from either the USPTO or the patent attorney hired by Lindsey is not the care or diligence generally used and observed by prudent and careful men in relation to their most important business. Under the circumstances, petitioner has not carried his burden of proof to show that the delay was unavoidable as required by statute and by regulations of the Patent and Trademark Office. Petitioner is reminded that a Petition to Revive an application under 37 C.F.R. 1.137(a) cannot be granted where a Petitioner has failed to meet his burden of establishing unavoidable delay within the meaning of 37 C.F.R. 1.137(a) and 35 U.S.C. 133.

CONCLUSION

For the reasons given above, the delay in this case has not been shown to have been unavoidable within the meaning of 35 U.S.C. 133 and 37 C.F.R. 1.137 (a).

Accordingly, the application will not be revived under the provisions of 35 U.S.C. 133 and 37 C.F.R. 1.137 (a), and the case remains abandoned.

[Underlining and italics supplied by Plaintiff.]

44. The Petitions Director's determination that Lindsey was a "third party," rather than a fiduciary, with respect to Nano was clearly erroneous, arbitrary and capricious, both legally and factually. Accordingly, the Petitions Director's reliance on *Winkler*, rather than *Futures Technology* was also clearly erroneous, arbitrary and capricious. The Petitions Director's failure to even address the cited and applicable standard of 1.137(b) was also unlawful, arbitrary and capricious. This is particularly egregious since it was the PTO itself who urged Ganjian to rely on Section 1.137(a) rather than (b). Fortunately, Ganjian never completely abandoned reliance on 1.137(b), although the PTO treated all of the Petitions subsequent to Examiner Friedman's advice as having abandoned any reliance on 1.137(b).

45. According to footnote 1 of the PTO's April 1, 2009 decision "this decision may be viewed as a final agency action within the meaning of 5 U.S.C. §704 for purposes of seeking judicial review. See MPEP 1002.02. The provisions of 37 CFR 1.1.37(d) do not apply."

46. Because Petitions Director Pearson's April 1, 2009 decision was based upon a misunderstanding of applicable law regarding Lindsey's alleged status as a "third party" rather than a fiduciary, Plaintiff filed, on June 30, 2009, a Request for Reconsideration of the PTO's April 1, 2009 denial of Plaintiff's February 17, 2009 Renewed Petition. That Request for Reconsideration explained, *inter alia*, that Lindsey was not a "third party" as to Nano, but was clearly a fiduciary and that the Director's conclusion that there were "three parties" (not even including the only party, Nano) in the prosecution of the patent application at the time of abandonment was incorrect as a matter of law. The Request for Reconsideration further pointed out that this Court's decision in *Futures Technologies, Ltd. v. Quigg*, 684 F. Supp. 430, 431 (E.D. Va. 1988) is squarely on point once it is recognized that Lindsey was not a "third party" as to Nano, but was acting "in a fiduciary capacity" with respect to Nano and its investors.

47. On October 28, 2009, Petitions Director Pearson issued a further decision indicating that while "Petitioner's arguments regarding the previous decision are noted," the Request for Reconsideration would be denied. This decision further confirmed that the decision of April 1, 2009 "was a final agency action within the meaning of 5 U.S.C §704 for purposes of Petitioner's seeking judicial review...."

48. This Complaint seeks judicial review of that final agency action and, pursuant to APA §704, of each of the "preliminary, procedural, or intermediate agency action(s)" leading up to, incorporating, or incorporated by, that final agency action.

49. Based on the above facts and the additional facts contained in the record of this case at the PTO, Plaintiff submits that the Petitions Director's decision of April 1, 2009 and the other referenced decisions were contrary to law, arbitrary and capricious, and, to the extent any discretion was permitted, an abuse of that discretion.

50. The Director's legal errors include:

(1) the failure to recognize that Lindsey, as President of Nano, was not a "third party" as to Nano and was in fact a fiduciary with respect to Nano and its investors;

(2) the Director's decisions of January 6, April 1 and October 26, 2009 were erroneously based solely on 37 C.F.R. 1.137 (a) and provided no ruling with respect to the more applicable 37 C.F.R. 1.137 (b), despite the fact that 37 C.F.R. 1.137(b) had repeatedly been asserted as a basis for relief and had not been withdrawn despite the PTO's misleading advice to do so.

(3) the PTO's requirement, in its April 25, 2007 and June 6, 2008 decisions, that Plaintiff must submit a declaration or other proof evidencing "direct" or "first hand knowledge" of Lindsey's subjective state of mind in order to meet the "unintentional" standard of 1.137(b), was contrary to law, arbitrary and capricious because such evidence was unnecessary, irrelevant and impossible to obtain since Lindsey was dead and his personal state of mind was never the appropriate test of Nano's intentions in any event.

RELIEF SOUGHT

WHEREFORE, Plaintiff prays for a judgment:

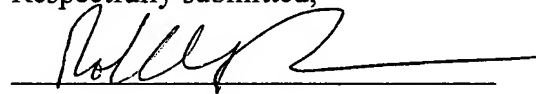
A. Declaring that the aforesaid final agency action by Defendant was contrary to law, arbitrary and capricious, and an abuse of discretion; and that Defendant has violated the provisions of the Administrative Procedure Act, Sections 701-706, by its actions;

B. An order directing the Defendants to reinstate the '328 patent application for continuing prosecution;

C. Awarding such other and further relief as the Court deems just and equitable under the circumstances of this case, including an award of attorney fees and costs as appropriate, to Plaintiff.

Dated: December 18, 2009

Respectfully submitted,



Robert A. Rowan, Va. Bar No. 29645
Michael L. Keenan, Va. Bar No. 32106
Michael E. Crawford, Va. Bar No. 39566
NIXON & VANDERHYE P.C.
901 N. Glebe Rd., Suite 1100
Arlington, Virginia 22203
Tel.: 703-816-4000
Fax: 703-816-4100

Exhibit A



UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
www.uspto.gov
DPM 100-09

Peter Ganjian
Patent Law Agency, LLC
3146 North Verdugo Road
Glendale CA 91208-1665

Paper No. 20

MAILED

APR 01 2009

In re Application of
Alfred A. Margaryan
Application No. 10/054,328
Filed: January 21, 2002
For: FLUOROPHOSPHATE GLASS AND
METHOD FOR MAKING THEREOF

OFFICE OF PETITIONS

ON PETITION

This is a decision on the renewed petition under 37 CFR 1.137(a) filed February 17, 2009, to revive the above-identified application.

The petition is **DENIED**.¹

BACKGROUND

The application became abandoned for failure to timely reply within the meaning of 37 CFR 1.113 to the final Office action, mailed November 18, 2003, which set a shortened statutory period for reply of three (3) months. No extensions of time under the provisions of 37 CFR 1.136(a) were obtained. Accordingly, the application became abandoned on February 19, 2004. A Notice of Abandonment was mailed July 1, 2004.

On June 6, 2006 a petition under 37 CFR 1.137(b) was filed. The petition was dismissed on April 25, 2007.

On July 23, 2007 a renewed petition under 37 CFR 1.137(b) was filed. The petition was dismissed on June 6, 2008.

On October 22, 2008 a petition under 37 CFR 1.137(a) was filed. The petition was dismissed on January 6, 2009.

¹ This decision may be viewed as a final agency action within the meaning of 5 U.S.C. § 704 for purposes of seeking judicial review. See MPEP 1002.02. The provisions of 37 CFR 1.137(d) do not apply.

On February 17, 2009 the instant renewed petition under 37 CFR 1.137(a) was filed.

STATUTE AND REGULATION

35 U.S.C. § 133 states that:

Upon failure of the applicant to prosecute the application within six months after any action therein, of which notice has been given or mailed to the applicant, or within such shorter time, not less than thirty days, as fixed by the Commissioner in such action, the application shall be regarded as abandoned by the parties thereto, unless it be shown to the satisfaction of the Commissioner that such delay was unavoidable.

37 CFR 1.113 states in pertinent part that:

(a) On the second or any subsequent examination or consideration the rejection or other action may be made final, whereupon applicant's or patent owner's response is limited to appeal in the case of rejection of any claim (§ 1.191), or to amendment as specified in § 1.116. Petition may be taken to the Commissioner in the case of objections or requirements not involved in the rejection of any claim (§ 1.181). Response to a final rejection or action must include cancellation of, or appeal from the rejection of, each rejected claim. If any claim stands allowed, the response to a final rejection or action must comply with any requirements or objections to form.

37 CFR 1.116 states that:

(a) After final rejection or action (§ 1.113) amendments may be made canceling claims or complying with any requirement of form which has been made. Amendments presenting rejected claims in better form for consideration on appeal may be admitted. The admission of, or refusal to admit, any amendment after final rejection, and any proceedings relative thereto, shall not operate to relieve the application or patent under reexamination from its condition as subject to appeal or to save the application from abandonment under § 1.135.

(b) If amendments touching the merits of the application or patent under reexamination are presented after final rejection, or after appeal has been taken, or when such amendment might not otherwise be proper, they may be admitted upon a showing of good and sufficient reasons why they are necessary and were not earlier presented.

Application No. 10/054,328

(c) No amendment can be made as a matter of right in appealed cases. After decision on appeal, amendments can only be made as provided in § 1.198, or to carry into effect a recommendation under § 1.196.

37 CFR 1.135 states in pertinent part:

(a) If an applicant of a patent application fails to reply within the time period provided under § 1.134 and § 1.136, the application will become abandoned unless an Office action indicates otherwise.

(b) Prosecution of an application to save it from abandonment pursuant to paragraph (a) of this section must include such complete and proper reply as the condition of the application may require. The admission of, or refusal to admit, any amendment after final rejection or any amendment not responsive to the last action, or any related proceedings, will not operate to save the application from abandonment.

37 CFR 1.137(a) provides:

Unavoidable. Where the delay in reply was unavoidable, a petition may be filed to revive an abandoned application or a lapsed patent pursuant to this paragraph. A grantable petition pursuant to this paragraph must be accompanied by:

(1) The required reply, unless previously filed. In a nonprovisional application abandoned for failure to prosecute, the required reply may be met by the filing of a continuing application. In a nonprovisional application abandoned for failure to prosecute, the required reply may be met by the filing of a continuing application. In a Nonprovisional utility or plant application filed on or after June 8, 1995, and abandoned for failure to prosecute, the required reply may also be met by the filing of a request for continued examination in compliance with § 1.114. In an application or patent, abandoned or lapsed for failure to pay the issue fee or any portion thereof, the required reply must be the payment of the issue fee or any outstanding balance thereof;

(2) The petition fee as set forth in § 1.17(l);

(3) A showing to the satisfaction of the Commissioner that the entire delay in filing the required reply from the due date for the reply until the filing of a grantable petition pursuant to this paragraph was unavoidable; and

(4) Any terminal disclaimer (and fee as set forth in § 1.20(d)) required pursuant to paragraph (c) of this section.

OPINION

Petitioner requests reconsideration in that the delay in filing a timely response to the final Office action mailed November 18, 2003 was unavoidable due to "inappropriate, unethical, fraudulent, deceitful, and unlawful" conduct of Dr. Lindsey.

The Commissioner may revive an abandoned application if the delay in responding to the relevant outstanding Office requirement is shown to the satisfaction of the Commissioner to have been "unavoidable". 35 U.S.C. § 133. Decisions on reviving abandoned applications have adopted the reasonably prudent person standard in determining if the delay was unavoidable:

The word unavoidable ... is applicable to ordinary human affairs, and requires no more or greater care or diligence than is generally used and observed by prudent and careful men in relation to their most important business. It permits them in the exercise of this care to rely upon the ordinary and trustworthy agencies of mail and telegraph, worthy and reliable employees, and such other means and instrumentalities as are usually employed in such important business. If unexpectedly, or through the unforeseen fault or imperfection of these agencies and instrumentalities, there occurs a failure, it may properly be said to be unavoidable, all other conditions of promptness in its rectification being present.²

In addition, decisions on revival are made on a "case-by-case basis, taking all the facts and circumstances into account."³ Finally, a petition to revive an application as unavoidably abandoned cannot be granted where a petitioner has failed to meet his or her burden of establishing the cause of the unavoidable delay.⁴

The showing of record is inadequate to establish unavoidable delay within the meaning of 37 CFR 1.137(a). Specifically, an application is "unavoidably" abandoned only where petitioner, or counsel for petitioner, takes all action necessary for a proper response to the outstanding Office action, but through the intervention of unforeseen circumstances, such as failure of mail, telegraph, telefacsimile, or the negligence of otherwise reliable employees, the response is not timely received in the Office.⁵

² Ex parte Pratt, 1887 Dec. Comm'r Pat. 31, 32-33 (Comm'r Pat. 1887)(the term "unavoidable" "is applicable to ordinary human affairs, and requires no more or greater care or diligence than is generally used and observed by prudent and careful men in relation to their most important business"); In re Mattullath, 38 App. D.C. 497, 514-15 (D.C. Cir. 1912); Ex parte Henrich, 1913 Dec. Comm'r Pat. 139, 141 (Comm'r Pat. 1913).

³ Smith v. Mossinghoff, 671 F.2d 533, 538, 213 USPQ 977, 982 (D.C. Cir. 1982).

⁴ Haines v. Quigg, 673 F. Supp. 314, 5 USPQ2d 1130 (N.D. Ind. 1987).

⁵ Ex parte Pratt, 1887 Dec. Comm'r Pat. 31 (Comm'r Pat. 1887).

The record shows that there were three parties involved in the prosecution of the instant application at the time of abandonment. Dennis Beach (Beach) was the patent attorney, Jack Illare (Illare) was the Executive of the assignee, Nano Teknologies, LLC (Nano) and Dr. Lindsey (Lindsey), an employee of Nano who was apparently a go-between or liaison between Beech and Illare. Beech was getting instructions from Lindsay although Illare's employment contract specifically stated he was the responsible party for handling all patent matters. Petitioner states time and again that the application went abandoned due to Lindsey's misconduct. Petitioner states that Lindsey assured Illare that the patents were in order when in fact he was not responding to Beech's request for instructions on how to respond to the final Office action. Beech made numerous requests to Lindsey on how to respond to the final Office action. With no instructions forthcoming from Lindsey, Beech elected to take no further action in regard to the final Office action and thus the application became abandoned.

Where the applicant permits a third party to control the prosecution of an application, the third party's decision whether or not to file a reply to avoid abandonment is binding on the applicant. See Winkler, 221 F. at 552, 138 USPQ at 667. Where an applicant enters an agreement with a third party for the third party to take control of the prosecution of an application, the applicant will be considered to have given the third party the right and authority to prosecute the application to avoid abandonment (or not prosecute), unless, by the express terms of the contract between applicant and the third party, the third party is conducting the prosecution of the application for the applicant solely in a fiduciary capacity. See Futures Technology Ltd. V. Quigg, 684 F. Supp. 430, 431, 7 USPQ2d 1588, 1589 (E.D. Va. 1988). Otherwise, the applicant will be considered to have given the third party unbridled discretion to prosecute (or not prosecute) the application to avoid abandonment, and will be bound by the actions or inactions of such third party.

Petitioner argues that Lindsey was not a third party and that Illare's employment contract made it clear he was responsible for all patent matters. The record indicates that, irrespective of any employment agreement, Lindsey was left to make all patent decisions. Beech was totally dependent on Lindsey for instructions on how to proceed in prosecution of the instant application. Illare admits he depended on Lindsey in patent matters because he considered Lindsey very knowledgeable about patents and patent proceedings. The record establishes that Beech knew nothing of Illare's responsibilities in regard to patent matters and Illare did not even know who the patent attorney was for the instant application. Beech and Illare were totally insulated from each other. Illare admits in the renewed petition that he did not know any of the specifics in regard to the instant application to take appropriate action. The record fairly well establishes that Lindsey was in total control of the prosecution of the application, being the only one who was in a position to communicate instructions to Beech, the attorney of record. The record indicates Illare was not in a position to make any patent prosecution decisions in regard to the instant application. Illare depended on Lindsey's expertise, did not know exactly what patent application was subject to his control and apparently was content to not even know who the patent attorney was. The record indicates Illare effectively relinquished control of the

prosecution of the instant application to Lindsey and thus made him the third party. As such, petitioner is bound by the actions (or inactions) of Lindsey.

Furthermore, the record does not show that petitioner was reasonable and prudent in relying upon Lindsey to prosecute the application. Apparently, considerable acrimony existed between Illare and Lindsey with regard to Lindsey's alleged misappropriation of \$400,000. Lindsey, by these actions, had shown that he was not a reliable and trustworthy employee. In fact, the record shows that Illare, despite knowing of Lindsey's actions, failed to properly supervise him. Given these facts and the attendant distrust and acrimony created by this situation, that Illare would believe statements of Lindsey regarding the prosecution of the application without some form of evidence or communication with/from either the USPTO or the patent attorney hired by Lindsey is not the care or diligence generally used and observed by prudent and careful men in relation to their most important business.

Under the circumstances, petitioner has not carried his burden of proof to show that the delay was unavoidable as required by statute and by regulations of the Patent and Trademark Office. Petitioner is reminded that a petition to revive an application under 37 CFR 1.137(a) cannot be granted where a petitioner has failed to meet his burden of establishing unavoidable delay within the meaning of 37 CFR 1.137(a) and 35 USC 133. *Haines V. Quigg*, 673 F. Supp. 314, 5 USPQ2 1130 (N.D. Ind. 1987).

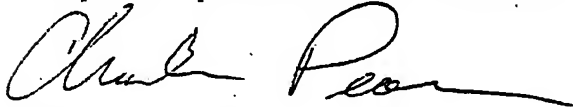
CONCLUSION

For the reasons given above, the delay in this case has not been shown to have been unavoidable within the meaning of 35 USC 133 and 37 CFR 1.137(a).

Accordingly, the application will not be revived under the provisions of 35 U.S.C. 133 and 37 CFR 1.137(a), and the case remains abandoned.

This abandoned file is being forwarded to the Files Repository

Telephone inquiries related to this decision should be directed to Carl Friedman at 571-272-6842.



Charles A. Pearson
Director, Office of Petitions

Exhibit B



UNITED STATES PATENT AND TRADEMARK OFFICE

4
Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
www.uspto.gov

NIXON & VANDERHYE, P.C.
901 NORTH GLEBE ROAD, 11TH FLOOR
ARLINGTON VA 22203

Paper No. 22

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OCT 28 2009

In re Application of
Alfred A. Margaryan
Application No. 10/054,328
Filed: January 21, 2002
Attorney Docket No. RAR-5423-2 ✓

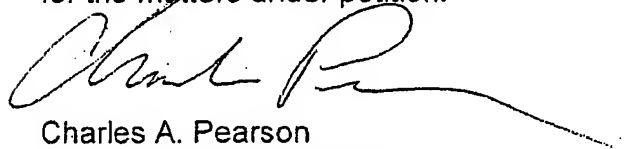
OFFICE OF PETITIONS
ON PETITION

This is a decision on the petition filed June 30, 2009 requesting reconsideration of the Decision mailed April 1, 2009 denying the renewed petition under 37 CFR 1.137(a) filed February 17, 2009.

The petition is **DENIED**.

The decision by the Director was fully and finally treated in the decision of April 1, 2009. The decision clearly stated it was a final agency action within the meaning of 5 U.S.C. § 704 for purposes of petitioner's seeking judicial review, and further, that the USPTO would not further consider or reconsider this matter.

Petitioner's arguments regarding the previous decision are noted. While petitioner may not agree with the USPTO's actions in this case, full administrative review was provided for the matters under petition.


Charles A. Pearson
Director, Office of Petitions

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA

NOTICE

CONSENT TO TRIAL BY MAGISTRATE JUDGE

Pursuant to Federal Rule of Civil Procedure 73 and 28 U.S.C. § 636(c) you have the right to have your case conducted before a United States magistrate judge upon consent of all parties. In order to proceed before a magistrate judge, a consent form must be filed with the Clerk's Office. It may be filed jointly or separately. The consent form may be printed from the U.S. District Court website (listed below) or obtained from the Clerk's Office. Please refer to the previously mentioned rule for further information.

FINANCIAL INTEREST DISCLOSURE STATEMENT

Pursuant to Local Rule 7.1, a financial disclosure statement must be filed by a "nongovernmental corporation, partnership, trust, [or] other similar entity that is a party to, or that appears in, an action or proceeding in this Court." This statement should be filed with the party's "first appearance, pleading, petition, motion, response, or other request addressed to the Court". The financial interest disclosure statement may be printed from the U.S. District Court website (listed below) or obtained from the Clerk's Office. Please refer to the previously mentioned rule for further information.

WEBSITE AND CLERK'S OFFICES ADDRESSES

The website address for the U.S. District Court for the Eastern District of Virginia is www.vaed.uscourts.gov. If you do not have access to a computer, contact one of the Clerk's Offices listed below to obtain either of these forms:

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401 Courthouse Square
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(703) 299-2101

Walter E. Hoffman United States Courthouse
600 Granby Street
Norfolk, VA 23510
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Spottswood W. Robinson III
and Robert R. Merhige Jr. Federal Courthouse
701 East Broad Street
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(804) 916-2220

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2400 West Avenue
Newport News, VA 23607
(757) 247-0784

UNITED STATES DISTRICT COURT
FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

_____, Plaintiff

V.

Case Number: _____

_____, Defendant

**NOTICE OF AVAILABILITY OF A UNITED STATES MAGISTRATE JUDGE
TO EXERCISE JURISDICTION**

In accordance with the provisions of 28 U.S.C. §636(c), and Fed.R.Civ.P. 73, you are notified that a United States magistrate judge of this district court is available to conduct any or all proceedings in this case including a jury or nonjury trial, and to order the entry of a final judgment. Exercise of this jurisdiction by a magistrate judge is, however, permitted only if all parties voluntarily consent.

You may, without adverse substantive consequences, withhold your consent, but this will prevent the court's jurisdiction from being exercised by a magistrate judge. If any party withholds consent, the identity of the parties consenting or withholding consent will not be communicated to any magistrate judge or to the district judge to whom the case has been assigned.

An appeal from a judgment entered by a magistrate judge shall be taken directly to the United States court of appeals for this judicial circuit in the same manner as an appeal from any other judgment of this district court.

CONSENT TO THE EXERCISE OF JURISDICTION BY A UNITED STATES MAGISTRATE JUDGE

In accordance with provisions of 28 U.S.C. §636(c) and Fed.R.Civ.P. 73, the parties in this case consent to have a United States magistrate judge conduct any and all proceedings in this case, including the trial, order the entry of a final judgment, and conduct all post-judgment proceedings.

Party	Signature of Counsel or <i>Pro Se</i> Party	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

ORDER OF REFERENCE

IT IS ORDERED that this case be referred to a United States Magistrate Judge to conduct all proceedings and order the entry of judgment in accordance with 28 U.S.C. §636(c) and Fed.R.Civ.P. 73.

Date

United States District Judge

NOTE: RETURN THIS FORM TO THE CLERK OF THE COURT ONLY IF ALL PARTIES HAVE CONSENTED TO THE EXERCISE OF JURISDICTION BY A UNITED STATES MAGISTRATE JUDGE.

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